

REVIEW OF ACCEPTABLE LEVEL OF
COMPETENCE AND QUALITY INCREASE
FEATURES OF THE FEDERAL SALARY
REFORM ACT OF 1962

PREPARED BY THE
BUREAU OF INSPECTIONS
UNITED STATES CIVIL SERVICE COMMISSION
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FOR USE OF THE
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CIVIL SERVICE
HOUSE OF REPRESENTATIVES



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LETTER OF SUBMITTAL

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., October 14, 1963.

Hon. TOM MURRAY,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives,
Cannon House Office Building.*

DEAR MR. CHAIRMAN: The Federal Salary Reform Act of 1962 is a landmark achievement in Federal salary legislation. As you were so instrumental in the enactment of this highly significant statute, I know you will be interested in the enclosed report showing the results of a review the Commission has just made of the application of two of the new Classification Act provisions.

Based on the findings of a special inquiry extending generally over the period from March to August of this year, the report shows that the acceptable level of competence and quality increase provisions of the Federal Salary Reform Act are being applied properly in most Government installations and that they are understood by most supervisors and accepted by most employees. The inquiry covered over 100 installations employing 135,810 Classification Act workers.

Under the 1962 act, Classification Act employees receive within-grade increases on completion of specified periods of service only if their work "is of an acceptable level of competence as determined by the head of the department." In the installations covered by the inquiry, 99 percent of the increases were approved as employees completed the required periods of service. Of 34,446 employees becoming eligible, 404 were not granted increases as they became eligible. Reasons for not approving increases were generally failure to meet established performance standards; tardiness, absenteeism, and abuse of sick leave; or poor attitude, uncooperativeness, and negligence.

Although permitted by all agency plans, there have been very few requests for reconsideration, only 16 instances among the 404 employees not granted increases as they became eligible. Three of the sixteen reconsiderations resulted in approval of the increase.

Additional quality increases may be granted to Classification Act employees, but not more than one to an employee during a year, "in recognition of high quality performance above that ordinarily found in the type of position concerned." Most agencies have issued plans for quality increases or are planning to do so.

Quality increases were recommended for 886 of the 135,810 employees covered by the inquiry, or 1 for each 154 employees. With 213 still pending action, 560 of the increases recommended had been approved and 113 disapproved.

Managers and supervisors generally accept and welcome the new concepts of within-grade increases. In providing additional incen-

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tives for employees, the new provisions have also required managers and supervisors to give more attention to employee performance and performance standards, and have stimulated supervisory training, alertness, and employee counseling. On the part of employees, there seems to be general acceptance of the new provisions.

Now that the Government has adopted a policy of salaries comparable with private enterprise levels, it follows logically that Federal employee output must be comparable, too. The new provisions seem to be contributing as intended to motivation of Federal personnel.

If projected for the entire group of Classification Act employees, the same proportion of instances in which employees failed to earn within-grade increases because of performance below an acceptable level of competence would amount to approximately \$2 million worth of salary increases not earned and not granted during the period covered by the inquiry. Of far greater importance, though not directly measurable, is the stimulating effect of the new within-grade increase provisions on the productivity of the Federal work force.

I regard the results of our inquiry as very encouraging. There is no evidence of any general abuse, despite the oft-expressed fears of one of the major employee organizations. Some instances of failure or delay in applying the new provisions effectively were disclosed, but progress is being made. Where difficulties are found to exist the Commission will take steps to assure improved administration of the statutory provisions concerned.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

REVIEW OF ACCEPTABLE LEVEL OF COMPETENCE AND QUALITY INCREASE FEATURES OF THE FEDERAL SALARY REFORM ACT OF 1962

PREFACE

Between August 12 and 23, 1963, the Commission completed a total of 110 special inquiries covering the acceptable level of competence and quality increase features of the Salary Reform Act. One hundred of these special inquiries were conducted at field establishments representing 19 departments and agencies; 10 were conducted at headquarters offices in Washington.

In addition, policies and instructions issued on these subjects by 17 major agencies were carefully reviewed to determine their conformance to Commission guides and standards.

The primary purpose in conducting these inquiries was to accumulate in a short period of time as much up-to-date information as possible concerning the use made of these provisions of the Salary Reform Act by Federal agencies, to assess to the degree possible the impact of these new concepts, and to identify any problems that might be discernible at this time.

Concentrating solely on the two identified features of the Salary Reform Act, these inquiries covered agency actions during the 6-month period immediately preceding our review (generally, this included the period March 15 to August 15, 1963, although this varied somewhat from installation to installation). Inspectors were specifically interested in evaluating agency progress in giving force and effect to the acceptable level of competence and quality increase features of the act, in observing results to date, and in identifying problems encountered and efforts taken to overcome them. A copy of the agenda used by our inspectors is attached (app. 1).

The Federal Salary Reform Act of 1962, signed by the President on October 11, 1962, introduced important new concepts in pay administration based on two principles—comparability of Federal salaries with those of private enterprise for the same level of work, and internal alinement of salaries to provide equal pay for equal work and pay distinctions in keeping with job responsibility and performance. In addition, the act—

- Provided flexibility in salary to motivate and reward initiative and industry;

- Moved toward making Federal salaries high enough to attract and retain the best people; and

- Provided a degree of executive discretion to meet individual and special needs in the salary area.

Among the major reforms brought about by the act were a number of changes in the Classification Act pay structure:

- More regular salary intervals from grade to grade, especially from GS-5 through GS-15;

More uniform salary ranges, with percentage ranges varying less markedly from grade to grade; and

Larger within-grade increases in most grades, with a more uniform pattern from grade to grade.

The amendments to the Classification Act included a marked improvement in the method of awarding within-grade increases. They provided a more equitable schedule of waiting periods, and greater opportunity for equating competency and granting of salary increases. Significant changes also included elimination of longevity step increases and the granting of within-grade increases only to employees who demonstrate an acceptable level of competence.

Management was also provided with a new tool for rewarding and encouraging exceptional job performance. A new feature of the act gave agencies authority to grant additional within-grade increases based on "high quality performance" above that ordinarily found in the type of position concerned. Since quality increases are in addition to other within-grade increases, particularly effective work can be recognized by acceleration of pay increases within the grade.

This report summarizes the findings of the Commission concerning agency implementation and use of these features during the first year following the signing of the Salary Reform Act.

WITHIN-GRADE INCREASES

All agencies covered by our special inquiry have issued guides to managers and supervisors for use in determining what constitutes acceptable level of competence.

In most agencies, criteria are in accord with those established by the Commission.

Five agencies are still operating on interim guides.

Formal training or group instruction has been given to supervisors in 63 (57 percent) and to employees in 18 (16 percent) of the installations covered by our inquiry.

In the installations covered by our inquiry, 99 percent of the within-grade increases were granted as employees became eligible for them.

Total number of Classification Act employees in establishments covered.....	135,810
Total number of employees eligible for increases.....	34,446
Number of within-grade increases granted (99 percent).....	34,042
Number of within-grade increases not granted (1 percent).....	404

While 99 percent of within-grade increases were awarded on a Government-wide basis as employees became eligible for them, patterns varied substantially among different agencies.

(NOTE.—The distribution of installations covered in this survey ranged from 12 in one agency to a single establishment in another. Thus, the percentages cited are not necessarily valid on an agencywide basis.)

Percentage of within-grade increases not granted ranged from 0 to 2 percent in majority of agencies sampled.

Exceptions included 5 percent not awarded in one agency, 3 percent in another, and 13 percent in another.

Reconsideration of decisions not to grant increases.

All agency plans permit employees to request reconsideration of decisions not to grant increases.

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Requests for reconsideration have occurred in a relatively small percentage of cases:

Total not granted during past 6 months-----	404
Total requests for reconsideration during same period (4 percent)-----	16
Number of initial decisions reversed-----	3

Reasons most often cited as basis for not granting within-grade increases include:

- Failure to meet established performance standards.
- Tardiness, absenteeism, abuse of sick leave.
- Poor attitude, uncooperativeness, negligence.

(Illustrations of reasons for not granting increases are given in app. 2.)

Response of supervisors and managers to acceptable level of competence concept:

The concept is generally welcomed and accepted by management.

While most managers feel it is too early to assess the overall impact with accuracy, many of those contacted (over 40 percent) report an observable favorable impact on both supervisors and employees

Supervisors are more aware of their responsibilities.

Employees are motivated to better performance and production.

Not all management responses were favorable or demonstrated insight into the intent of the concept (refer to app. 3).

Major problems identified:

The problem most often cited involved distinguishing between acceptable level of competence and satisfactory performance.

Other problems were mainly administrative in nature; e.g., obtaining sufficient information to evaluate transferred employees and employees recently reassigned.

QUALITY INCREASES

Most installations which have received plans on quality increases from higher headquarters have granted quality increases.

Five agencies have not yet issued plans to field establishments.

Deficiencies noted in several plans include:

Failure to spell out relationship of quality increases to other awards.

No provision for supervisory certification that past high performance is likely to continue.

Formal training or group instruction covering the quality increase concept has been given to supervisors in 35 (32 percent) and to employees in 7 (6 percent) of the installations covered by our inquiry.

Agency use of quality increases:

Total number of Classification Act employees in installations covered...	135, 810
Number of quality increases recommended during past 6 months (ratio of 1:154)-----	886
Quality increases approved (63 percent)-----	560
Quality increases disapproved (13 percent)-----	113
Quality increases pending agency action (24 percent)-----	213

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Activity in awarding quality increases varies widely among agencies:
Several agencies have awarded none.

One agency, representing 16 percent of the employees covered, accounted for 67 percent of the total quality increases awarded.

Responses of supervisors and managers reflect general acceptance (app. 4).

Some are concerned about budgetary factors.

Very few are against the feature.

Problems most often cited by supervisors and managers:

Determining whether a quality increase is warranted instead of some other award.

Documenting justification for quality increases.

No significant recommendations for change were received concerning this feature of the act.

CONCLUSIONS

While not all Federal agencies issued policies and instructions to put these concepts into full operation as promptly as we had hoped, momentum is picking up and the timelag is being overcome.

In the first year of operation, indications of the value of the acceptable level of competence and quality increase provisions of the act in strengthening Federal personnel management can be seen:

Managers and supervisors are devoting more attention to employee performance and performance standards.

The act has stimulated additional supervisory training, supervisory alertness, and employee counseling.

Projecting the findings of this survey to all employees under the Classification Act suggests possible monetary savings to the Government of almost \$2 million per year where agency management determines that the level of competence demonstrated by individual employees is not at an acceptable level.¹

We did not learn of any significant employee outcry at the installation level, and conclude that there is general employee acceptance of these new concepts.

¹ Computed on the basis of 1,058,485 Classification Act employees as of June 1, 1962, and using the within-grade increase applicable to GS-6, the median grade of Classification Act employees.

APPENDIX

1. Inspection agenda.
2. Illustrations of reasons cited by management for not granting within-grade increases.
3. Management response to acceptable level of competence concept.
4. Management response to quality increase feature.

APPENDIX 1

U.S. CIVIL SERVICE COMMISSION, BUREAU OF INSPECTIONS

INSPECTION AGENDA

Part A—Within-grade increases

The item of primary interest in this area is the acceptable level of competence provision in the act. Inspection coverage should be responsive to the following:

1. Has the agency established criteria for determining the acceptable level of competence? Has there been any consultation with employees or employee groups at the local level regarding acceptable level of competence? On what aspects?
2. To what extent have the criteria been communicated to field establishments, to supervisors, and to employees? How has the communication taken place? Has the installation conducted any face-to-face training of supervisors in making acceptable level of competence determinations? What has been the reaction of supervisors to this training? If the installation has not yet given face-to-face supervisory training, does it plan to do so? What alternative training methods have been used or are contemplated?
3. Is the field establishment carrying out its responsibilities for implementation of the procedures and standards? Are the criteria developed by the agency being observed in actual practice?
4. What provision has been made for administrative reconsideration of determinations?
5. Are supervisors utilizing this new flexibility in pay administration? Are prior discussions held with employees regarding performance? Do supervisors interviewed reflect an awareness and perception of the motivational aspects of within-grade increases as a means of stimulating improved performance among employees?
6. Within the past 6 months, in how many cases has the establishment found employees ineligible for within-grade increases because a determination was made that the employees' work was not of an acceptable level of competence? How many of these determinations were reversed on reconsideration? What documentation exists to support the determinations, and what was the nature of the reasons given? During the same period of time how many within-grade increases were granted?
7. Where a determination is made that an employee's work is not of an acceptable level of competence, what provision has been made for a new determination? Within what time limits?
8. Are local officials aware that the notice and reconsideration requirements apply to new determinations, also?
9. Is there any provision for granting a within-grade increase if an employee's work is found to be of an acceptable level of competence before that time officially set for a new determination?
10. What is the nature of any problems encountered by the establishment in the implementation or in the administration of within-grade increases? What steps have been taken to solve such problems? How effective have such measures been?
11. Does the establishment's use of within-grade increases appear to have had (from the standpoint of management and employees) an observable

impact on employee motivation, productivity, or other aspects of the establishment's work?

Part B—Quality increases

Coverage of quality increases will be based on the following guides:

1. Has the agency developed a plan for the granting of quality increases?
2. Has the plan been communicated to field establishments and the contents made available to supervisors and employees? Has training been provided supervisors in the use of standards, instructions, and guidelines? Do supervisors exhibit a reasonable understanding of the agency's plan for granting quality increases and how the plan operates in actual practices? Has the concept of quality increases been responsive to management's needs to recognize distinctions in quality performance?
3. To what extent is the establishment carrying out its responsibility for implementing the plan? How?
4. Does the plan meet all the requirements set forth in FPM letter 531-23?
5. Which requirements have not been met? Why? What action has been taken to meet such requirements?
6. Is there a good understanding on the part of local management of the relationship of quality increases to regular within-grade increases? With relationship to outstanding performance ratings? With relationship to incentive awards? (FPM Letter 531-23.)
7. During the past 6 months how many quality increases have been recommended? How many granted? Does review of written supporting documents show clearly the basis for management action in each case?
8. Has the local establishment experienced any problems in either the implementation or the administration of the program? What are they? What management action has been taken to overcome them?
9. Does management have any recommendations for improvement or change in the program?

APPENDIX 2

ILLUSTRATIONS OF THE REASONS CITED BY MANAGEMENT FOR NOT GRANTING WITHIN-GRADE INCREASES

Employee A

In spite of discussions, the employee had not made any effort to broaden his understanding of his general work area—regularly late—takes long lunch period—does not always report when unexpectedly absent.

Employee B

The employee does not take interest or assume responsibility for work assigned to him—never shows interest in learning to operate office machine equipment which is mandatory in his position—does not get along well with fellow workers—resents constructive criticism—never considers rush work more important than coffee break time—overlooks errors in his work, necessitating the redoing of entire jobs after completing them incorrectly.

Employee C

The employee has been negligent in assuming and performing duties of his position (examples: failure to requisition supplies on time, failure to produce work of an acceptable quality level)—shifting assignments and responsibilities to others—neglecting to inform supervisors of changes in program or results of laboratory work.

Employee D

Persistently tardy in spite of repeated warnings and in spite of having been placed on probation for up to 30 days—delay in performance of his own work to such an extent that the work of an entire research project was delayed—failure to demonstrate the resourcefulness expected from a professional scientist.

Employee E

Failure to carry assigned projects to logical completion—lack of initiative in performing ordinary aspects of specified scientific studies—failure to continue literature survey.

Employee F

Failure to complete assigned duties and reports with a reasonable degree of accuracy and within required time limits. Failure to practice book selection techniques in accordance with standards. Failure to provide guidance and direction to the staff and members under employee's supervision as required by his position.

Employee G

Failure to meet performance standards; the employee, an otherwise excellent worker was not able to perform adequately in an administrative position. He asked for change to lower grade.

Employee H

Failure to meet production standards.

Employee I

Inability to deliver completed staff work without further need of revising and editing by reviewer. Lack of aggressiveness in handling assignments. Too ready to accept, without question or research, what others initiate—particularly in systems and procedures field. Lack of perception and comprehension necessary in fiscal control work.

APPENDIX 3

MANAGEMENT RESPONSE TO THE ACCEPTABLE LEVEL OF COMPETENCE CONCEPT

In general, agency managers contacted during our surveys reacted favorably to the quality increase feature of the act, as illustrated by the following extracts from survey reports:

The acceptable level of competence concept has brought about an overall improvement in supervision through increased awareness of supervisors to their responsibilities. In a number of observed instances, the possibility of not receiving within-grade increases has inspired better performance on the part of some employees.

The nonautomatic feature of the within-grade increase now gives the supervisor more responsibility and meaningful authority when discussing performance requirements with employees.

Supervisors are noticeably more willing to counsel with individual employees on work performance standards and how they are being met.

Management decisions not to grant within-grade increases have not only resulted in improvement in individual cases, but have also increased productivity of other employees occupying similar positions.

There has been an obvious increase in attention on the part of management and operating officials in using performance standards to stimulate employee production and career development.

The new concept has acted to boost employee morale.

Proper use of this flexibility would do more to increase productivity and motivate employees to better performance than any other management tool. Employees are no longer complacent about their performance.

In a relatively small number of cases, management response was not favorable: Since the progress of this concept continues, in effect, to provide virtually automatic step increases, no motivation could be expected.

Personnel officials believe that supervisors have not fully utilized the acceptable level of competence concept and they doubt whether supervisors give this provision more than lipservice. They do not expect supervisors to use this pay technique as a club to increase productivity.

The concept has not had any impact on employee motivation. Because of the cumbersome procedures involved, the establishment has abandoned any further effort to use the device.

APPENDIX 4

MANAGEMENT RESPONSE TO QUALITY INCREASE FEATURE

The following excerpts illustrate the general reaction of management to the quality increase feature of the Salary Reform Act:

Quality increases provide a way to give something to an employee we cannot promote. It is perfect for motivating and rewarding employees in dead end positions.

Supervisors regard quality increases as a useful tool for rewarding deserving employees and encouraging higher quality performance.

Consider it an excellent device. Feel it has definite appeal because of "permanency" of increased salary.

A few officials believe that they will have to be restrictive in granting quality increases because the availability of funds is limited.

